



INSTITUTE FOR SUSTAINABLE DEVELOPMENT AND ENERGY STUDIES

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BEFORE THE HONOURABLE KERALA ELECTRICITY REGULATORY COMMISSION

Sub: Comments on KSERC (Terms and Conditions for Determination of Tariff) Regulation 2018

We welcome the initiative taken by the Hon'ble Commission to change the Existing Regulation published during 2014. During the time of formulating earlier regulations our institute suggested different points and some of its were incorporated in the new regulations.

Institute for sustainable development and energy studies (In- SDES) is always striving for the continuous improvement and sustainable development of power sector with an objective of the over all development of the country and welfare of the people. We understand that development of power sector is directly linked to the development of the country. Hence state Regulatory commission have an important role to play in framing regulations considering the specific characteristics of the power sector in the state. Tariff regulation is an important step in determining the future of the sector.

The financial stability of the licence especially KSEBL is very much important for the overall development of our state. Being a public utility carrying generation , transmission and distribution activities in single umbrella the financial stability is much important for its sustainable operation. But at the same time the consumer is more important and their satisfaction regarding the service of the licensee is also to be taken into account.

Regarding the new Regulations 2018 following points may please be considered:

1 Specific trajectories for certain variables- Reg 11

Reliability indices may also be included under this head

2 Regulations 28 Return on equity:

The norms specified by the CERC may be considered.

3 O&M Expenses for Generation & Transmission Regulations 45 &48

The norm fixed by CERC maybe considered

4 O& M expenses for distribution. Reg 79 Norms may be fixed by considering CERC norms and overall improvements especially 100% electrification and metering etc achieved by KSEBL for the last years. Similarly the low per capita consumption is due to lack of industrialisation and several other factors may also be considered.

5 Income from other business: Reg 60, 61 & 83 Non tariff income like income from utilising the assets of the licensee for laying fibre optic cables in transmission lines, are proposed to be deducted from ARR as per Reg.60. we propose that such items may be included in "income from other business" mentioned in Reg.61 so that



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the licensee will be encouraged to utilise their infrastructure to the maximum extent and one third of the income will be passed on to the consumers also. The same shall be made applicable for income from utilisation of the assets in Generation, Transmission and Distribution.

6 Regulatory Asset : Reg 29 : It is noted that a revenue gap after true up of past years are being set apart as regulatory asset to avoid tariff shock. Also, the admitted revenue gap of current year is, not always bridged by way of tariff adjustments or government subsidy. The licensee will have to take additional debt to meet the cash deficit in operations as a consequence of the uncovered revenue gap, which obviously has a cost which is to be reflected in the ARR. But interest and finance charges will not be allowed for this as per the draft regulations. Model regulations for provides for amortisation schedule for regulatory asset and also carrying cost at state Bank Advance Rate (SBAR). provision for this shall be added in the final regulations .

7 one time expenses : one time expenses such as the cost for initiatives like energy conservation, safety, enhanced customer service etc shall be allowed over and above the normative expenses after prudence check.

8 Consumer service is the key area.KSEBL has already done very good effort in billing and collection side.But the metering and allied areas need more attention.Modernisation in several areas are lacking, and by doing so the overall expenditure in capital investment and establishment expenditure can be reduced in future.

conclusion: The proposed norms shall be revised based on the above observations and considering the re-cast balance sheet and account. we hope that the regulations to be published by KSERC shall be model to other states and shall be able to attract the required investments in the Electricity sector in Kerala.

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